

Generating Financial Statements as per Legal, Statutory and Leadership Reporting Needs in Real-Time using Document Splitting of New GL Accounting in SAP S/4HANA

Satya Venkata Naga Ganesh Nanduri

SAP Functional Lead

J.R.Simplot Company

Abstract

Organizations either Public or Private usually have a wide range of both internal or external reporting needs such as Management Reporting for review of financial performance and decision making, Legal Reporting for statutory obligations etc. The data used for this reporting has to have many characteristics such as it should be Real-Time, Transparent and Compliant with the Standards issued by the regulatory authorities. Document Splitting Functionality introduced as part of New GL Accounting by SAP ensures all the financial data that is posted in SAP would maintain the characteristics specified if this functionality is activated. This article speaks about document splitting functionality and how it helps business. This document also provides guidance on how Document Splitting can be customized as per the needs of the organizations implementing SAP S/4HANA.

Key words: Document Splitting, SAP S/4HANA, New GL Accounting, Segment Reporting, SAP ECC

Introduction:

Real-Time reporting is a crucial need for organizations to help with decision making and transparency and compliance are statutory obligations for legal reporting. SAP integrates these three aspects and achieve them through Document Splitting Functionality. It was introduced as part of New GL Accounting, but it is still optional for the clients implementing SAP for their organizational ERP needs. Balanced Financial Statements cannot be generated in Real-Time if this functionality is not activated. So, its crucial for business to understand the importance of this functionality and activate it while implementing SAP, else activating this functionality later would result in additional effort and cost.

What is Document Splitting:

Document Splitting is a powerful functionality offered as part of New GL Accounting by SAP. It ensures each financial document posted in SAP has all the necessary reporting dimensions such as Segment, Profit Center etc captured on all the line items so that balanced and accurate financial statements can be generated at any given point of time using any of these reporting dimensions. It also

eliminates the need for manually reviewing the documents for missing reporting dimensions at period end thereby helping business for faster month end closing.

Types of Document Splitting:

SAP offers three types of document splitting.

1. **Active Splitting:** When a financial document posted is split based on SAP predefined rules, its called as Active Splitting. All the financial documents which does not have any preceding documents are managed by Active Splitting.

Account	Dr/Cr Indicator	Amount	Profit Center
Vendor Account	Cr	11000	
Expense Line 1	Dr	8000	PC-X
Expense Line 1	Dr	2000	PC-Y
Tax	Dr	1000	

Figure 1: User Input Parameters while posting Supplier Invoice

Financial Statements such as Profit and Loss Account and Balance Sheet would be imbalanced for Profit Centers PC-X and PC-Y if Document Splitting is not active.

Profit and Loss Account for Profit Center PC-X				Profit and Loss Account for Profit Center PC-Y			
Dr		Cr		Dr		Cr	
Particulars	Amount	Particulars	Amount	Particulars	Amount	Particulars	Amount
Dr Expense	8000			Dr Expense	2000		
		Loss	8000			Loss	2000
Total	8000	Total	8000	Total	2000	Total	2000

Balance Sheet for Profit Center PC-Y				Balance Sheet for Profit Center PC-Y			
Liabilities		Assets		Liabilities		Assets	
Particulars	Amount	Particulars	Amount	Particulars	Amount	Particulars	Amount
		Loss Asset	8000			Loss Asset	2000
Total		Total	8000	Total		Total	2000

Figure 2: Imbalanced Financial Statements when Document Splitting is not Active

Lets assume Document Splitting is activated for reporting dimension Profit Center and system ensures Reporting Dimension Profit Center is captured for all the line items in the Financial Document using predefined rules.

System identifies all the line items that are not populated with Reporting Dimension and assigns Profit Centers as per the proportion of other line items. Expense Line Item 1 and 2 have Profit Center updated with the ratio of 80 and 20, so system updates Vendor and Tax Line Items as per this ratio.

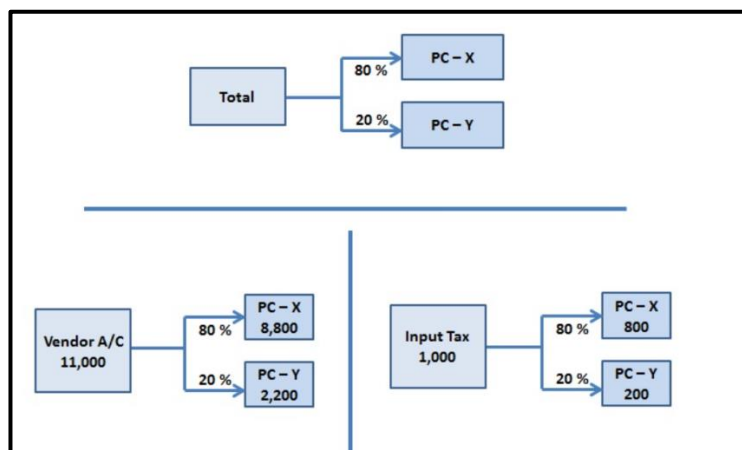


Figure 3: Distribution of Amounts for Vendor and Tax Line Items based on Expense Line Items

Financial Posting for User would look the same, but it produces line items in another view called “General Ledger View” when Document Splitting is Active.

Account	Dr/Cr Indicator	Amount	Profit Center
Vendor Account	Cr	8800	PC-X
Expense Line 1	Dr	8000	PC-X
Tax	Dr	800	PC-X
Vendor Account	Cr	2200	PC-Y
Expense Line 2	Dr	2000	PC-Y
Tax	Dr	200	PC-Y

Figure 4: Accounting Document in General Ledger View

Financial Statements such as Profit and Loss Account and Balance Sheet would be balanced for Profit Centers PC-X and PC-Y if Document Splitting is active.

Profit and Loss Account for Profit Center PC-X				Profit and Loss Account for Profit Center PC-X			
Dr		Cr		Dr		Cr	
Particulars	Amount	Particulars	Amount	Particulars	Amount	Particulars	Amount
Dr Expense	8000			Dr Expense	2000		
		Loss	8000			Loss	2000
Total	8000	Total	8000	Total	2000	Total	2000

Balance Sheet for Profit Center PC-Y				Balance Sheet for Profit Center PC-Y			
Liabilities		Assets		Liabilities		Assets	
Particulars	Amount	Particulars	Amount	Particulars	Amount	Particulars	Amount
Vendor	8800	Loss Asset	8000	Vendor	2200	Loss Asset	2000
		Tax	800			Tax	200
Total	8800	Total	8800	Total	2200	Total	2200

Figure 5: Balanced Financial Statements when Document Splitting is Active

2. **Passive Splitting:** When a Financial Document posted is split based on reporting dimensions captured on preceding document, its called as Passive Split. System inherits reporting dimensions from preceding document instead of deriving based on pre-configured rules. This is necessary to ensure that both Original and subsequent documents have the same reporting dimensions captured such as Payment Document to have the same reporting dimensions as of its Invoice.

Entry View			
Account	Dr/Cr Indicator	Amount	Profit Center
Vendor Account	Dr	11000	
Bank	Cr	11000	
General Ledger View			
Account	Dr/Cr Indicator	Amount	Profit Center
Vendor Account	Dr	8800	PC-X
Bank	Cr	8800	PC-Y
Vendor Account	Dr	2200	PC-X
Bank	Cr	2200	PC-Y

Figure 6: Entry and General Ledger View for a Financial Document posted using Passive Split

3. **Zero Balance Clearing:** Whenever a Financial Document posted has all the reporting dimensions captured for all the line items, but the document does not net off for any of the reporting dimension captured, system generates additional line items with Zero Balance Clearing Account configured so that the document is net off for all the reporting dimensions.

Entry View			
Account	Dr/Cr Indicator	Amount	Profit Center
Asset	Dr	10000	PC-X
Bank	Cr	10000	PC-Y
General Ledger View			
Account	Dr/Cr Indicator	Amount	Profit Center
Asset	Dr	10000	PC-X
Zero Balance	Cr	10000	PC-X
Bank	Cr	10000	PC-Y
Zero Balance	Dr	10000	PC-Y

Figure 7: Entry and General Ledger View for a Financial Document posted using Zero Balance

How Does Document Splitting Works:

Document splitting is based on the unique assignment of document types to predefined, non-modifiable business transactions (or their attributes in a business transaction variant) as well as on the assignment of

accounts to predefined, non-modifiable item categories. The item categories are used to define document splitting rules, which, depending on the business transaction, determine which items of a document the system splits and how. A document splitting rule is assigned to a document splitting method.

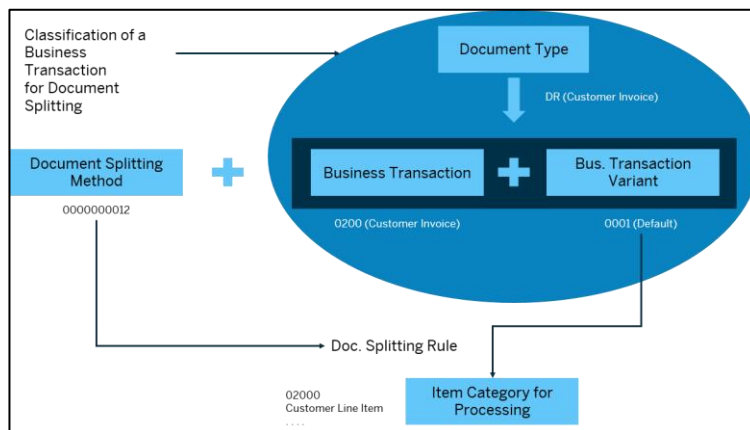


Figure 8: Derivation Strategy by SAP for Document Split

SAP delivers Document Splitting Method “0000000012”. Business Transaction denotes Business Process for which the Financial Document is being posted. Business Transaction Variant works in conjunction with Business Process and controls how the Reporting Dimension is to be derived and how a business process to be restricted. SAP delivers non modifiable Item Categories which play crucial role in executing Document Splitting Engine.

All the Document Types are assigned to the Combination of Business Transaction and Transaction Variant.

Display View "Classify FI Document Type for Document Spl.": Overview

Type	Description	Transactn.	Variant	Description	Name
KR	Vendor Invoice	0300	0001	Vendor invoice	Standard

Figure 9: Assignment of Document Types for Business Transaction and Transaction Variant

All the General Ledger Accounts are assigned to SAP Standard delivered item Categories.

Acct From	Account To	Overrd.	Cat.	Description
2060000	2149999	<input type="checkbox"/>	03000	Vendor
4030000	4999999	<input type="checkbox"/>	30000	Revenue

Figure 10: Assignment of Item Categories to GL Accounts

Document Splitting Rule configured with the assignment of Business Transaction and Transaction Variant to Document Splitting Method has all the Item Categories and Base Item Categories. Item Categories in this assignment represent the General Ledger Accounts such as Vendor Reconciliation Account that require derivation of reporting dimension whereas Base Item Categories represent the General Ledger Accounts such as Expense Account that can pass the Reporting Dimension.

Display View "Header data": Overview

Method	Split...	Transactn.	Business transaction	Variant	Variant
0000000012	Split...	0300	Vendor invoice	0001	Standard
0000000012	Split...	0300	Vendor invoice	0002	Invoice Receipt (MIRO) with Retention
0000000012	Split...	0310	Expense Report	0001	Standard

Figure 11: Assignment of Business Transaction and Transaction Variant to Document Splitting Method for Supplier Invoice Process

Display View "Item categories to be edited": Overview

Splitting Method	Splitting
0000000012	Splitting: Same as 0000000002 (Follow-Up Costs Online)
Business Transaction	0300 Vendor invoice
Transaction Variant	0001 Standard

Cat.	Description	Dependent on leading item
03000	Vendor	No change

Figure 12: Item Categories such 03000 for Vendor Reconciliation Account

Display View "Base item categories": Overview

Splitting Method	Splitting
0000000012	Splitting: Same as 0000000002 (Follow-Up Costs Online)
Business Transaction	0300 Vendor invoice
Business Transaction	0001 Standard
Item Category	03000 Vendor
Dependence on Leading Item	No change

Cat.	Description	Split Automatically
01000	Balance Sheet Account	<input type="checkbox"/>
01100	Company Code Clearing	<input type="checkbox"/>
01300	Cash Discount Clearing	<input type="checkbox"/>
03100	Vendor: Special G/L Transaction	<input type="checkbox"/>
05100	Taxes on Sales/Purchases	<input type="checkbox"/>
05200	Withholding Tax	<input type="checkbox"/>
06000	Material	<input type="checkbox"/>
07000	Fixed Assets	<input type="checkbox"/>
20000	Expense	<input type="checkbox"/>
30000	Revenue	<input type="checkbox"/>

Figure 13: All Base Item Categories which can pass Reporting Dimension to Vendor Account

How Document Splitting can be customized to suit as per Organizational Needs:

SAP Standard delivered Business Transactions and Transaction Variants may not be sufficient for some organizations which have specific requirements around allowing or restricting certain nature of transactions, hence SAP Standard Delivered Document Splitting Functionality to be adjusted as per the needs. Business Transaction and Transaction Variant helps to bring in these adjustments or enhancements.

While Business Transactions and Transaction Variants are SAP Standard Delivered and Non-Modifiable, New Transaction Variant such as “Y001” under Business Transaction “0000- Unspecified posting” can be created and Document Splitting Rule for this combination to be maintained with reference to other Splitting Rule which we would like to enhance so that it can work as per client specific needs.

Conclusion:

Document Splitting is part of SAP Standard Solution Offerings. Even-though activating Document Splitting and Enabling this functionality for each legal entity is optional, business needs to under its potential and activate this feature while implementing SAP as the functionality provides Real-Time Multi-dimensional data for both Internal and External Reporting and eliminates manual intervention to review financial data at period end there by helping business to close Period end Faster.

References:

1. SAP Knowledge Article, “Document Splitting”, [Online]. Available: https://help.sap.com/docs/SAP_S4HANA_CLOUD/0fa84c9d9c634132b7c4abb9ffdd8f06/4911c9cc2a934a18e10000000a42189b.html
2. SAP OSS Note: 1085921, Version 15, 08.01.2023, [online]. Available: <https://me.sap.com/notes/1085921/E> (Can be accessed only through Super User ID)